

HILLSIDE VILLA APARTMENTS  
636 N. HILL PLACE  
LOS ANGELES, CA 90012

May 5, 2020

Via Federal Express and Email

LOS ANGELES CITY COUNCIL

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City Hall  
200 North Spring Street  
Los Angeles, CA 90012

Re: Opposition to the City's Taking of the Hillside Villa Apartments

Dear President Martinez and the Los Angeles City Council:

My name is Tom Botz and I write on behalf of 636 NHP LLC, the owner of the Hillside Villa Apartments, a 124-unit apartment building located at 636 N. Hill Place, Los Angeles, CA 90012.

We write to strongly oppose the effort, led by Council Member Gil Cedillo, to take the Hillside Villa Apartments by eminent domain. Please consider this letter and reject the eminent domain proposal. We welcome your additional questions and would be happy to meet with any Council Member when it is safe to do so.

We recognize that the coronavirus pandemic will affect many tenants' ability to pay their rent. We support the City Council's relief efforts and are fully complying with all laws and executive orders that provide relief for tenants impacted by the virus. Mr. Cedillo's effort to take our building by eminent domain, however, *preceded* the pandemic and is unrelated to it.

***We want the City Council to know the full story.*** In this letter, we describe the affordability covenant that has expired at the Hillside Villa Apartments, the recent history of our negotiations with Mr. Cedillo's office, and Mr. Cedillo's repeated misrepresentations of those negotiations to our tenants, this Council, and the public. We also explain why it would be fiscally irresponsible for the City to take the Hillside Villa Apartments at a cost of over \$50,000,000, and how using eminent domain here would discourage future private development of affordable housing. Finally, we propose alternative solutions that the City could implement ***now*** to help our tenants and those in other buildings with expiring covenants.

The hyperlinked text below will direct you to the source evidence, including correspondence with Mr. Cedillo's office, videos of Mr. Cedillo's false statements and the resulting harassment we have received, and relevant news articles. A hard copy of this letter has also been sent by FedEx to each Council Member, along with flash drives containing all of the cited materials. The superscript number after each hyperlink represents the link's corresponding exhibit number on the flash drives.

1. The Building's Construction and the Expired Affordability Covenant

In 1986, our company owned an undeveloped 1.57-acre parcel of land on Bunker Hill overlooking Chinatown and Downtown Los Angeles, a prime location for development into a residential apartment building. Los Angeles offered a loan assistance program through the City's now defunct Community Redevelopment Agency (CRA) as part the Chinatown Redevelopment Project. A similar program was offered by the California Housing Finance Agency (CalHFA). We successfully applied to both programs and received a [\\$3,580,000 interest-free loan and a \\$1,860,000 grant from the CRA and a \\$4,950,000 interest-bearing loan from CalHFA.](#)<sup>1</sup> We used this financing to construct the Hillside Villa Apartments, which, at the time, was the largest family rental housing complex to be built in Chinatown since the area was designated for redevelopment in 1980.

Under the terms of the CRA and CalHFA programs, we provided the land and agreed to rent only to low- and moderate-income families at restricted rates for thirty years. Agreements like these are known as 'affordability covenants.'

***The affordability covenants' limited term was integral to the agreements.***

There was no free lunch. The lost revenue over the last thirty-two years exceeds the value gained from the favorable financing. While the rents were restricted for over three decades, the building's operating costs were not. Like those of all landlords in the city, our [costs have increased significantly](#)<sup>2</sup> since 1988, which has severely depressed the building's income. While we were happy to help support tenants in need, we only entered into the covenants because, when they expired, we would be able to raise rents to the market rate. That was the deal.

The City was well aware that our affordability covenant with the CRA was expiring in August 2018. A representative from the Los Angeles Housing and Community Investment Department (HCIDLA) [emailed us in April 2016](#)<sup>3</sup> about the expiring covenant to discuss our "plans or goals with" the project. I [responded the next day](#),<sup>4</sup> but we never heard back from anyone at HCIDLA [until January 2019](#),<sup>5</sup> long after we had notified them that we were terminating the rent restrictions. HCIDLA personnel have acknowledged that they "dropped the ball" by not following up with us, but it is the City who has failed by not having a program in place for tenants in buildings with expiring affordability covenants.

California Government Code section 65863.10 requires that tenants in buildings with an expiring affordability covenant receive notice at least one year before rents are increased to ensure the tenants have ample time to prepare for the transition. We placed numerous phone calls to HCIDLA in early 2018, seeking their assistance in navigating the noticing process and easing the impact on the tenants. We received no help whatsoever, even though we know of at least two developers that received HCIDLA's assistance with the process. We then formally [notified HCIDLA in May 2018](#)<sup>6</sup> about the expiring covenant at the Hillside Villa Apartments and of our planned increases. We still received no response until eight months later.

At the end of May 2018, without any help from HCIDLA, we gave our tenants the required one-year notices that their rents would be going up in June 2019. After working with the tenant association and their attorneys, we eventually agreed to delay that rent increase to September 2020. When the rents increase later this year, ***the tenants will have been subsidized for the agreed-upon thirty years, plus an extra two years.*** Those additional two years of restricted rents alone represent over \$1,500,000 in lost revenue to the building.

In February 2019, we began receiving phone calls from HCIDLA and Mr. Cedillo's office. This sudden interest was likely the result of our tenants' repeated requests for the City's help. We received visitors from Mr. Cedillo's office at our building and gave tours to members of the Chinatown business community. All agreed that the building was clean and in good condition and we received numerous compliments on our management, including from Mr. Cedillo's office.

After Mr. Cedillo became involved with the tenant association that represents some of our tenants, we have seen an increase in the number of inspections at the building. We have complied with all inspections and were even complimented by those inspectors for how well we maintain the building. The inspectors also told us that they were instructed to pay special attention to our building and to report their findings directly to the City Council.

We take pride in maintaining our building to a high standard and were pleased by the positive feedback. My daughter, Chloe Botz, is the building supervisor who, until recently, also lived in the building. Chloe takes her job seriously and would not have lived there if it did not provide a clean, safe, and welcoming environment.

We invite you to visit the Hillside Villa Apartments to see it for yourselves. We would be happy to provide a tour to any Council Member and to meet to discuss the situation. Of course, we recognize that such a visit will not be possible during the pandemic, but the invitation will remain open when normalcy returns.

When Chloe and I first met with Mr. Cedillo, he complimented us for “running such a clean building and providing low-income housing for so long to so many people” because, as Mr. Cedillo put it, we “didn’t have to do that.” We were initially excited by the interest that Mr. Cedillo showed and were hopeful that, together, we could find a way to help our tenants when the rents increased. Ultimately, Mr. Cedillo’s involvement turned out to be motivated by self-promotion and *only made things worse for the tenants and for us*.

## 2. Mr. Cedillo’s Brief Involvement and Repeated Misrepresentations

Mr. Cedillo has justified his extreme proposal to take our property by eminent domain by repeatedly claiming that I reneged on an agreement to restrict rents for an additional ten years. As demonstrated below, *Mr. Cedillo’s statements are false*. The truth is that, throughout his brief involvement with the Hillside Villa Apartments, Mr. Cedillo has repeatedly rushed to announce false victories to grab headlines and shield himself from political attack by housing activists.

Mr. Cedillo’s false statements do *real world harm*. Mr. Cedillo fills our tenants with false hope and blames us when he fails to deliver on his hollow promises. This is unfair to the tenants because, after consistently being told that their rents will not increase, they are unprepared for the transition. Mr. Cedillo’s misrepresentations have also resulted in harassment and attempts to intimidate my family and that of my real estate attorney, Brandon Dimond.

In our early meetings with Mr. Cedillo, he had expressed sympathy over the harassment we were receiving from the tenant association that had recently formed and said that he “could probably call them off” if our negotiations continued. We took Mr. Cedillo to mean that he would ease tensions by explaining to the tenant association that we were working on a solution together. We would soon realize, however, that Mr. Cedillo intended to wield the tenant association as both a sword and a shield against us by feeding them misinformation and false hope. In doing so, ***Mr. Cedillo has actively interfered with our contract with the City*** and has caused us significant financial harm, including, but not limited to, our attorneys’ fees.

*a. The May 16, 2019 Meeting with Mr. Cedillo*

On May 3, 2019, the tenant association [filled Mr. Cedillo’s office lobby](#)<sup>7</sup> because their calls and emails had been ignored. The tenants made clear their demands—to be involved in the negotiations, to have their [rents permanently restricted](#),<sup>8</sup> and, even then, that [the City take the building by eminent domain](#).<sup>9</sup>

Negotiations with Mr. Cedillo began in earnest on May 16, 2019, and both sides expressed willingness to explore a deal. Mr. Cedillo immediately made clear that he wanted a guarantee that there would be no rent increases for at least ten years. We were willing to consider that but were concerned that the City could not afford rent subsidies for ten years at an average cost of nearly \$1,300,000 per year.

We [made clear to Mr. Cedillo](#)<sup>10</sup> from the beginning that, in addition to the financial terms, certain other issues must be resolved before we could agree to any deal, specifically, whether we would be required to record a new covenant and what terms would be included in the tenants’ new lease agreements.

Despite our numerous, clear statements in person and [in writing that any deal would depend on resolving the outstanding issues](#),<sup>11</sup> Mr. Cedillo’s office contacted the tenant association and misrepresented to them that we had agreed not to raise rents for ten years. The tenants celebrated this “victory” with a rally in Chinatown on May 26, 2019, where they announced that they had been “[informed that a deal had been made, not for one year, not for five, but for ten more affordable \[sic\] years of affordable housing](#).”<sup>12</sup> Nothing could have been farther from the truth.

We continued to try to resolve the outstanding issues [with Mr. Cedillo’s office](#)<sup>13</sup> and [with HCIDLA](#).<sup>14</sup> Mr. Cedillo, however, was secretly working with the tenant association behind our back to [target my home](#)<sup>15</sup> and [the office of my real estate attorney](#)<sup>16</sup> to pressure me to “finalize” the deal that Mr. Cedillo had falsely claimed I had already made, including [paying for the charter buses that transported the protestors](#)<sup>17</sup> to my home and my attorney’s office.

The [protests were led](#)<sup>18</sup> by Jacob Woocher, a [radical activist](#)<sup>19</sup> from the Los Angeles Tenants Union (LATU), who does not live in our building but has been instigating our tenants [since early 2019](#).<sup>20</sup> All the protests ultimately achieved were to frighten my family and my attorney's employees.

*b. The July 2, 2019 Meeting with Mr. Cedillo*

We met again with Mr. Cedillo on July 2, 2019. After a five-hour meeting during which we discussed tentative deal points, including the valuation of the outstanding CRA loan, we ended the meeting with a customary handshake. One of Mr. Cedillo's staff members suddenly appeared with a camera and asked us to pose for a photo. ***The next day***, without my permission or knowledge, Mr. Cedillo sent an email blast to his constituents that included the unauthorized photo and announced a ["deal reached between the owners and tenants of Hillside Villa Apartments \[that\] will extend the affordability covenants for another 10 years."](#)<sup>21</sup>

Also on July 3, 2020, and again without our knowledge, Mr. Cedillo introduced a motion as ["the first step towards the implementation"](#)<sup>22</sup> of the agreement we had supposedly made (we had not) by authorizing the City Attorney to "codify" the non-existent agreement. Mr. Cedillo's proposed motion completely mischaracterized the tentative financial terms we had discussed at the July 2 meeting and simply ignored all of the other outstanding issues.

Immediately after learning of the motion, I [emailed Deborah Kim](#),<sup>23</sup> Mr. Cedillo's Chief of Staff, explaining our concern that the motion did not accurately state the tentative terms discussed at the July 2 meeting. Ms. Kim responded that we were "not to worry" because ["the motion just initiates the appropriate departments \(HCID\) and the City Attorney to draft the contract" and that "the details will be incorporated respectively."](#)<sup>24</sup>

Since Mr. Cedillo's office refused to amend the motion, I emailed Ms. Kim again on August 1, 2020, and asked that Mr. Cedillo "please withdraw the motion." I further informed Ms. Kim that we would proceed with serving the legally required notices to terminate the covenant's rent restrictions "on the assumption that rents will increase to market" and asked that Mr. Cedillo ["withdraw the motion and inform the City Council ... that there is no deal at this time."](#)<sup>25</sup>



[Ms. Kim responded.](#)<sup>26</sup>

Please rest assure [*sic*] that a hearing on this motion tomorrow in Council does not solidify anything but rather just gives protocol and grants authority for HCID and the City Attorney to get started in drafting the terms. All your concerns have plenty of time to be embedded into the agreement. ***The motion is not intended to reflect any agreements but to initiate the drafting of such agreement by our City Attorney and HCID.***

The motion went before the City Council unchanged, and [despite our opposition,](#)<sup>27</sup> on August 2, 2019. Mr. Cedillo misrepresented to the Council that an agreement was [“in place” that included “no rent increases for ten years” and asked for the City Attorney to “codify the agreement.”](#)<sup>28</sup> ***Mr. Cedillo failed to disclose to you, his fellow Council Members, that we had opposed his motion in writing.***

Despite Mr. Cedillo’s refusal to even acknowledge the outstanding issues that we had repeatedly and consistently raised since the negotiations’ outset, we continued to work with Steven Swede of HCIDLA on the financial terms to bridge the \$800,000 gap between the City and us. We made clear to Mr. Swede, however, that until a deal was reached, we would continue to complete the noticing requirements to terminate the rent restrictions.

The terms of the CRA covenant permit regular annual rent increases by a percentage set by HCIDLA. For 2019, the approved increase was 5.48 percent. Accordingly, on August 1, 2019, we notified our tenants that their rents would increase the following month by the approved percentage. Many tenants were shocked to receive this notice because they had believed Mr. Cedillo’s false proclamations that their rents would not increase for ten years. Then, on August 30, 2019, we notified them that the restrictions on their rents would end in September 2020. These notices were required by law and were [approved by the State Department of Housing and Community Development \(HCD\).](#)<sup>29</sup>

Shortly thereafter, Mr. Swede confirmed in writing what he had told us before—that we were still over \$800,000 apart on the financial terms and that the City would [not even discuss other open issues until we accepted the City’s financial terms](#)<sup>30</sup> and withdrew the pending rent increases. Mr. Swede also confirmed that the City would be [unable to negotiate any further on the financial terms.](#)<sup>31</sup> ***The negotiations effectively ended at that point.***

*c. The August 30, 2019 City Council Meeting*

Before the August 30, 2019 City Council meeting, the tenant association held a press conference on the steps of City Hall to vilify me for backing out of Mr. Cedillo's so-called "deal." One of the tenant association's leaders, Rene Alexzander, described a "powerful meeting" with Mr. Cedillo where they discussed how they could get me to sign their deal. The plan they apparently devised was to increase the pressure on me to agree by making false statements to the media and through increasingly aggressive public protests. Mr. Alexzander went on to call my attorney and me "[some of the most vile pieces of... people that \[he\] had ever come across.](#)"<sup>32</sup> Jacob Woocher also spoke on behalf of the LATU and called me a greedy "white man" and ominously promised that there was "[going to be a battle.](#)"<sup>33</sup>

During the August 30 Council meeting, Mr. Cedillo again misrepresented to the City Council that we had "[a ten-year agreement](#)" that included "[no rent increases for ten years.](#)"<sup>34</sup> Mr. Cedillo audaciously claimed that this nonexistent agreement was "based upon [our] numbers." On the contrary, as Mr. Swede had made clear, if we did not accept *the City's* numbers, the City would stop negotiating. Mr. Cedillo was fully aware of this yet called it "unacceptable" that we had "reneged on the agreement" and accused us of "playing games" with the City. After all the correspondence between us, Mr. Cedillo's statements to the City Council were *nothing short of lies*.

Outside of the Council chamber, [Mr. Cedillo publicly repeated his lies:](#)<sup>35</sup>

It is in writing, it is their proposal, and we accepted it, we went over it, we spent hours going over it, we spent days and weeks going over it, and we ended up at the same point. We accepted and we finalized it. The agreement is finalized, it's just not codified. The agreement is finalized, we have an agreement, we're executing our part of it, we're codifying it. [...]

[Tom Botz] is backing out of the deal. [...] I don't know how you do business that way. I don't know how you live that way. You're either a person of your word or you're not. I expect [Botz] to comply fully, if he doesn't, we will use the full force of the City to execute and implement this agreement.



After hearing Mr. Cedillo's false and slanderous statements before the City Council and the media, my personal attorney, Mark Fields, wrote letters dated [September 13, 2019](#)<sup>36</sup> and [October 8, 2019](#)<sup>37</sup> to City Attorney Mike Feuer. These letters detailed our negotiations with Mr. Cedillo and HCIDLA and demonstrated that, when the negotiations ended, we were still over \$800,000 apart on the financial terms and that several other critical issues remained unresolved. The letters made clear that no deal had ever been reached and that it was Mr. Cedillo who was operating in bad faith. There has been no response to those letters, and, of course, the City Attorney has taken no action to try to enforce Mr. Cedillo's alleged "deal."

### 3. The Campaign of Intimidation and Harassment Escalates

The tenants were enraged to learn that the "deal" they had been told was "finalized" had suddenly fallen apart, but they were naturally inclined to believe Mr. Cedillo. The tenant association held more [protests at my house](#)<sup>38</sup> where they called me a slumlord, [screamed obscenities at me](#),<sup>39</sup> [accosted my neighbors](#),<sup>40</sup> [chanted for me to "come out"](#),<sup>41</sup> and made [obscenity-laced demands that I "sign the deal."](#)<sup>42</sup>

The tenant association also held [weekly protests, at night, at my real estate attorney's home](#).<sup>43</sup> The activists [screamed obscenities](#),<sup>44</sup> [called his daughters "dumb,"](#)<sup>45</sup> and tried to *incite an altercation* in the street by daring him to ["come out and face" them](#)<sup>46</sup> and [eerily calling for him to "come out and play."](#)<sup>47</sup>

We strongly encourage you to view these brief videos either by clicking on the hyperlinks above or on the provided flash drives. These videos show the borderline-dangerous nature of some of the people with whom Mr. Cedillo has aligned himself. These "activists" have [repeatedly bragged](#)<sup>48</sup> that Mr. Cedillo's office *paid for the charter bus to transport them to my house*.

As we have seen from recent events at the home of [District Attorney Jackie Lacey and her husband](#),<sup>49</sup> protests like these are serious and can become dangerous. These protests were also illegal, in violation of Los Angeles Municipal Code section 56.45(e), and were *terrifying to the young children who were home*. My attorney tells me that his young daughters (ages four, three, and one) still sometimes wake up at night crying about "the protestors" outside their window. We have a six-year-old in my house who also vividly recalls the protests and cries out from fear.

My daughter, Chloe, has also been targeted by the activists. On [June 17, 2019](#),<sup>50</sup> protestors swarmed the front door of her apartment, covering it with flyers depicting [her defaced image](#).<sup>51</sup> These hateful flyers were also posted throughout the building. After that, *Chloe no longer felt safe living in the building and moved out*.

Though she no longer lived there, Chloe still had to work at the building. On the evening of [November 21, 2019](#),<sup>52</sup> Chloe was working in the management office while the tenant association met in the building's courtyard. She was spotted by Jacob Woocher, who shouted through his megaphone, "Chloe, you're a monster!" Then others began to shout. Chloe quickly retreated to the office but within minutes the hallway was filled with people. Someone tried to open the door, but Chloe had locked it. So the mob shouted from the hallway, pounded on the door, and posted more flyers. Since that frightening episode, ***Chloe no longer feels safe even working at the building.***

While there is nothing more abhorrent than to see your child victimized, I am also targeted by the tenant association [in the building](#)<sup>53</sup> and [on social media](#).<sup>54</sup> I regularly receive angry, insulting anonymous text messages and voicemails, and have even received ***death threats***.

***These are just some of the real-life harms caused by Mr. Cedillo's lies.*** Mr. Cedillo should publicly apologize for his despicable behavior and for encouraging a dangerous campaign of intimidation, harassment, and threats.

Instead of showing remorse for the harm they caused, Mr. Cedillo's staff exchanged emails with Rene Alexzander, [joking about how the protests were scaring my attorney's family](#).<sup>55</sup> Meanwhile, Mr. Cedillo has continued to defame me and misrepresent the facts:

- At a Council meeting on October 22, 2019, Mr. Cedillo referred to me as a ["devious" landlord who is "looking to exploit" my tenants](#).<sup>56</sup>
- At a Council meeting on October 30, 2019, Mr. Cedillo claimed that I had tried to "leverage" the City and "exploit" the circumstances and, once again, [falsely claimed that I had "reneged on the deal."](#)<sup>57</sup>
- Most recently, at the Council meeting on March 27, 2020, Mr. Cedillo claimed that he had gone to ["great lengths" to make a deal and that "after two years of working" I had "reneged."](#)<sup>58</sup> In reality, Mr. Cedillo became involved in May 2019 and the negotiations had fallen apart by August. ***Mr. Cedillo worked with us for just three months, not two years.***

#### 4. We Should Not Be Scapegoated for the City's Housing Failures

Affordability covenants, like those that applied to the Hillside Villa Apartments, were never meant to provide permanent affordable housing. During the decades that those covenants were in effect, the City was expected to increase the number of affordable housing units and available subsidies. Unfortunately, since 1988, the need for affordable housing has significantly outpaced construction:

- According to the [House LA Initiative proposed by Mr. Cedillo](#),<sup>59</sup> “due to budget cuts and the dissolution of the CRA, the Housing and Community Investment Department of Los Angeles (HCIDLA) can only commit to financing approximately 500 units per year.”
- Measure HHH, which set aside \$1,200,000,000 to build 10,000 affordable units, [will fall well short of its goal](#).<sup>60</sup> HHH capped funding at \$220,000 per unit. Mr. Cedillo's proposal to take the Hillside Villa Apartments by eminent domain would cost more than \$400,000 per unit without constructing a single new unit.
- According to the California Housing Partnership (CHP), [10,276 affordable housing units in Los Angeles County are at risk of conversion by 2024](#),<sup>61</sup> which represents ten percent of the County's affordable housing stock. That includes [3,260 units that are at risk of conversion in the next year](#).<sup>62</sup>

Negotiating with individual property owners to extend existing affordability covenants is an understandable response to this looming crisis but only delays the problem. It does *not* increase the City's affordable housing stock. Punishing landlords who refuse to be bullied into extending an affordability covenant by taking their property is unfair and unconstitutional. Landlords and developers should not become the scapegoats for the City's failure to build enough affordable housing.

#### 5. The College Station Project Taints Mr. Cedillo's Involvement Here

There is a glaring discrepancy in Mr. Cedillo's treatment of two housing developments just a few blocks from one another in Chinatown—the Hillside Villa Apartments and College Station.

College Station, a massive, 725-unit luxury building, was initially approved by the City's Planning Commission on the condition that [five percent of the units be designated for low-income individuals](#).<sup>63</sup> **Mr. Cedillo advocated for College Station to be built without any affordable units** because "Chinatown will need market-rate housing, since the neighborhood is attracting new restaurants, cafes and other businesses." The Planning Commission argued that it would ["not be 'good zoning practice'" to approve the project without any affordable units](#).<sup>64</sup> Mr. Cedillo disagreed, noting that the "city's housing crisis 'cannot be resolved by *not* building,'" the opposite argument he now makes to justify using eminent domain.

Mr. Cedillo found [a way around the Commission's recommendation](#).<sup>65</sup> If Atlas Capital Group, College Station's developer, contributed \$500,000 to pay for ten years' worth of rent increases at a nearby senior housing complex—the Metro at Chinatown Senior Lofts—and deposited \$2,000,000 in a fund to be set up by Mr. Cedillo, the 725-unit building could be built ***without any affordable units***.

While Mr. Cedillo's deal with Atlas Capital was welcomed by the Metro Lofts' tenants, it was [criticized by tenant advocacy groups](#).<sup>66</sup> It was also nothing like what he proposed for the Hillside Villa Apartments. Atlas Capital was asked to contribute a comparatively small \$2,500,000 so that College Station's 725 luxury units could immediately rent at top of the market. The Hillside Villa Apartments, on the other hand, have 124 units which have already been restricted for thirty-two years at an opportunity cost in the tens of millions of dollars. The proposal Mr. Cedillo made to us would have cost another \$13,000,000 in lost revenue over ten years.

The disparate treatment of the College Station project and the Hillside Villa Apartments could be linked to the [\\$108,672 that Atlas Capital spent lobbying](#)<sup>67</sup> the City, including Mr. Cedillo, who received the maximum allowable donations from nearly fifty developers, including [twelve people who work for Atlas Capital](#).<sup>68</sup> We have never donated to Mr. Cedillo's campaign.

When Mr. Cedillo opened his Westlake field office in November 2019, tenants from our building were there to speak out against Mr. Cedillo's use of their lives for "[press conferences and photo-ops](#)"<sup>69</sup> and distributed Mr. Cedillo's flyers proclaiming, "[Cedillo Averts Rent Hikes at Hillside Villa](#),"<sup>70</sup> across which they had written "MENTIROSO" (LIAR). By then, even the tenant association had realized that [Mr. Cedillo had lied to them](#).<sup>71</sup>

Mr. Cedillo's proposal to take the Hillside Villa Apartments by eminent domain is a desperate attempt to deflect the housing activists' attention by once again overpromising what he can do for our tenants.

6. Taking Our Property by Eminent Domain Will Disincentivize Other Developers from Working with the City to Build Affordable Housing

*a. Taking Even One Building Will Chill Future Development*

At the March 27, 2020 City Council meeting, Council Members David Ryu and John Lee were concerned whether using eminent domain to acquire the Hillside Villa Apartments would set a precedent that would discourage future development. Mr. Ryu specifically requested that the City Attorney's Office address this concern in its report, and it should. ***But the answer is obvious:*** Taking our property without our consent will disincentivize other developers from working with the City to build new affordable housing in Los Angeles.

The Legislature recognizes the importance of protecting property owners who have entered into affordability covenants. When it recently passed SB 1482, the statewide rent control bill now codified in Civil Code sections 1946.2 and 1947.12, the Legislature took care to explicitly exempt buildings with expiring affordability covenants. The City Council should take similar care when considering how to deal with expiring affordability covenants in Los Angeles.

Limiting the scope of the exploratory motion to the Hillside Villa Apartments will still set a precedent that will chill future development because, regardless of the motion's text, Mr. Cedillo has made clear that [he intends to use the threat of eminent domain against other property owners in his district.](#)<sup>72</sup> Mr. Cedillo has advocated for the City to "[grab control of the covenants that will expire](#)"<sup>73</sup> and said that "he would consider using eminent domain to preserve affordable housing in other buildings."

*b. A Deal Must Be a Deal—The City Must Keep Its End of the Bargain*

At the August 30, 2019 Council meeting, Mr. Cedillo said that a "deal must be a deal" and that "people must act in good faith." ***We completely agree.*** For the last thirty-two years, we have been good stewards of the Hillside Villa Apartments and a good landlord to our thousands of tenants. Now that we have fully performed under our deal with the City, Mr. Cedillo wants the City to change it. If he succeeds, the City's bad faith will be apparent to everyone, which will "[scare away the private and for-profit developers that L.A. relies upon to build much-needed housing, as well as the investors who help fund the construction in the first place.](#)"<sup>74</sup>

Since Mr. Cedillo first proposed taking our property by eminent domain, [public opinion has been nearly universally opposed](#),<sup>75</sup> except for the organizations directly involved with the tenants. As the Los Angeles Times Editorial Board put it in its February 18 editorial *opposing the use of eminent domain* to take the Hillside Villa Apartments: “Private property rights are a bedrock American value, and eminent domain has long been deeply unpopular.” The City cannot just change the rules when it no longer likes the deal it made, especially when we have fully performed under the deal. The City must keep its end of the bargain it made with us.

At the March 27 Council meeting, Mr. Cedillo said that the tenants at the Hillside Villa Apartments deserve certainty and stability because they have “played by the rules.” We agree with that too. But we have also “played by the rules” set by the affordability covenants and the law—we have kept rents low for thirty-two years and complied with all of the legal requirements to end the rent restrictions. The City cannot just change the rules now that the covenant has expired. *The City must operate in good faith and keep its part of the bargain.*

7. Acquiring and Operating the Hillside Villa Apartments Would Be a Gross Misuse of Limited City Resources

a. *The Hillside Villa Apartments Are Worth at Least \$50,000,000*

In its current condition and occupancy rate, the Hillside Villa Apartments are worth, conservatively, \$400,000 per unit. With 124 units, that equates to a minimum valuation of \$49,600,000. This is an estimate made for the purposes of illustration *only* and in no way represents our final position on the building’s valuation. If the City proceeds with trying to take our property, we will perform a comprehensive analysis of the Hillside Villa Apartments’ value both as it is currently constructed and at its highest and best use as it is currently zoned.

Fifty million dollars is also an estimate of the purchase price only, and does not include other acquisition costs (*e.g.*, litigation) or operational costs. The building will not be self-sufficient if the rents are frozen at current rates. Therefore, if the City succeeds in taking the Hillside Villa Apartments, it will be left with a 124-unit housing project that currently makes no money. Even if it owns the building, *the City will still have to subsidize the Hillside Villa Apartments with additional funding to operate it.*

Mr. Cedillo’s proposal would also permanently concentrate poverty in one large building. Over the last few decades, public policy has rejected low-income housing “projects” in favor of mixed-income buildings and many former projects have been demolished. The City should not return to a failed policy.



If our property is going to be taken from us, the law, at a minimum, requires that we be justly compensated for the property's full value. Just as an oil field is valuable even before a well is dug, the property on which the Hillside Villa Apartments sits is far more valuable if a larger building were constructed in its place. Due to its proximity to public transit, the property is presently zoned for 296 units—172 more than it currently holds.

The Hillside Villa Apartments are [located in the southwest corner of Chinatown](#),<sup>76</sup> just north of Cesar Chavez Avenue. In addition to their expansive views of both Chinatown and Downtown LA, the Hillside Villa Apartments are just a few short blocks from, among other things, the Ahmanson Theatre, the Mark Taper Forum, the Dorothy Chandler Pavilion, the Walt Disney Concert Hall, The Broad Museum, Grand Park, the Grand Central Market, and the commercial and cultural hub around Bunker Hill. Ours is a prime location for a luxury building aimed at high-income tenants who are increasingly attracted to living in DTLA.

We intend to bring a vigorous legal opposition to any attempt by the City to take Hillside Villa Apartments by eminent domain. But if the City succeeds in taking our property, we will insist on the full value for the property at its highest and best use. We would also be entitled to recoup our attorneys' fees from the City if a court awards more in the sale than the City initially offered for the building.

*b. Fewer Than Half Our Tenants Are Affected by the Expired Covenant*

Fewer than half of the tenants at the Hillside Villa Apartments will be affected by the expired covenant because the majority of the units already have Section 8 housing choice vouchers. The rents for these units ***will not change*** when the rent restrictions end because they are set in accordance with the tenants' Housing Assistance Payments (HAP) Contracts and many are also controlled by a separate covenant with CalHFA until 2024.

In this 124-unit building, that leaves just fifty-one units that are scheduled for rent increases in September. Under Mr. Cedillo's proposal, ***the City would spend at least \$1,000,000 per affected unit just to acquire the building.***

Section 8 voucher holders must demonstrate a current financial need and their income qualifications are annually verified. But many landlords in Los Angeles are reluctant or [unwilling to accept voucher holders](#).<sup>77</sup> Many tenants [lose their vouchers](#)<sup>78</sup> because they [cannot find housing that will accept them in time](#).<sup>79</sup>

When we met with Mr. Cedillo in July 2019, he claimed that he could “fast-track” Section 8 vouchers for qualifying tenants at the Hillside Villa Apartments who are not already in the program. To the extent he was speaking truthfully, he should do so. Regardless, we strive to replace any tenant who moves out with a Section 8 voucher holder, which means ***there may be no net loss in affordable housing whatsoever at the Hillside Villa Apartments*** due to the rent increases.

*c. Many of Our Tenants May Not Qualify for Affordable Housing*

Many of the fifty-one affected units at the Hillside Villa Apartments have not had their income verified in many years. The covenant required tenants to qualify for the rent-restricted units by proving their income fell below certain thresholds ***when they moved in***. But once a tenant was living in a unit, they no longer had to demonstrate their limited income to continue paying the restricted rate. The result is that many of the tenants who currently live at the Hillside Villa Apartments ***may not qualify to rent those units now*** because they make too much money.

Of those fifty-one affected units, nineteen had previously negotiated with us to stay in their units at the market rates after the rent increases take effect. This shows that these nineteen units were willing and able to pay market rents and therefore do not face displacement when the rents increase. Several other tenants moved into single-family homes when they learned the rent restrictions were ending. One tenant informed us in early 2019 that he was purchasing a home, but when he learned that we had agreed to keep the rents low for another year, he decided to stay.

This leaves only ***thirty-one units who will face possible displacement*** in September from the rent increase, which puts the minimum acquisition cost at over ***\$1,500,000 per affected unit***. Spending over \$50,000,000 to preserve affordability for thirty-two units without constructing a single new unit is a grossly inefficient use of the City’s limited resources.

8. Alternative Solutions: *More Tenant Assistance, More Vouchers*

The use of eminent domain to prevent displacement from expiring affordability covenants is an inefficient response that will threaten future private affordable housing development. ***The City is not without options.***

To preserve affordable units in buildings with expiring affordability covenants, the California Housing Partnership has recommended “**more tenant assistance, more housing vouchers, and better alignment of state and county resources.**”<sup>80</sup> The **CHP has also recommended**<sup>81</sup> that state and local governments find a way to replace community redevelopment funding, which would require that private developers be willing to work with government agencies on new projects.

If the City has even a fraction of the more than \$50,000,000 necessary to buy the Hillside Villa Apartments, it should use the money to create a new subsidy specifically designed to aid tenants in buildings with expiring covenants throughout the city, not just those in our building.

The program could provide relocation assistance for displaced tenants, rent subsidies for affected tenants to remain in their current building, or vouchers for tenants to use on replacement housing. The program should prioritize those with a demonstrated need. In the absence of any current public programs, we have, at our own expense, offered relocation assistance to our tenants who face displacement. HCIDLA has praised us for “going above and beyond” what is expected of landlords by trying to help our tenants with the transition.

If a City program like that existed, it could prevent displacement from the Hillside Villa Apartments and similar buildings and could help those tenants who must move. It could also help significantly more people at a substantially lower cost than taking our building. Rather than fixate on the Hillside Villa Apartments, the City should ***craft a solution that can help tenants in expiring covenant buildings across Los Angeles.***

It would be irresponsible for the City to spend so much on one building when there are existing programs in desperate need of funding that supply housing for homeless and low-income people, such as People Assisting The Homeless (PATH), the Homeless Incentive Program (HIP), and Section 8. We already work with all of these programs regularly at the Hillside Villa Apartments. The Los Angeles Mission, Union Rescue Mission, Downtown Women's Center, and Upward Bound House—all of which help people with immediate and long-term homelessness issues—could also do tremendous good with additional City funding. Additional money is also needed to build new transitional or permanent supportive housing facilities for the homeless, which is [so expensive to build](#).<sup>82</sup>

## 9. Conclusion

Solving the housing shortage is the responsibility of the entire community, not just that of a single property owner. As the City Attorney wrote in a recent memorandum to the City Council regarding proposed motions to protect renters, which was published by the LA Times, [“a local government may not single out a property owner to bear a burden that should be borne by the public as a whole.”](#)<sup>83</sup>

Taking the Hillside Villa Apartments by eminent domain would not only be unconstitutional but would undermine the bargain we made with the City and interfere with our reasonable expectations under the affordability covenants. It would also be counterproductive to the City's long-term affordable housing goals and a wildly inefficient use of [the City's limited resources](#).<sup>84</sup> Mr. Cedillo's claims that he undertakes this effort "reluctantly" because we "renege" on a deal are *false*.

The City should not single out the Hillside Villa Apartments when expiring affordability covenants threaten more than 10,000 units in Los Angeles in the next few years. It should not spend over \$50,000,000 to subsidize fifty-one units that have already been subsidized for decades. ***It should not take our property.***

We strongly urge the City Council to reject any further motion or proposal to take the Hillside Villa Apartments by eminent domain. We welcome your questions and invite you to contact us at [tbotz@grovelandmgmt.com](mailto:tbotz@grovelandmgmt.com).

Sincerely,



Tom Botz

Hillside Villa Apartments

Cc: Mayor Eric Garcetti

City Attorney Mike Feuer, *Esq.*

Chief Deputy City Attorney Jim Clark, *Esq.*

Chief Assistant City Attorney David Michaelson, *Esq.*

Assistant City Attorney Gita O'Neill, *Esq.*